

COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City / Town / Province)

ANTONIO GREGORIO 111

Contact Person

920-9306

Company Telephone Number

1	2
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Month Day
Fiscal Year

3	1
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Form 17-Q1-2011

FORM TYPE

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Month

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Day

Annual Meeting

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Secondary License Type, If Applicable

C	R	M	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

Total Amount of Borrowings

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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File Number

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b)
THEREUNDER
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended: **March 31, 2011**
2. SEC Identification Number: **54106** 3. BIR Tax Identification No.: **200-751-430-000**
4. Exact name of issuer as specified in its charter:
LODESTAR INVESTMENT HOLDINGS CORPORATION
5. **Philippines** Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **c/o The Peak, 107 LP Leviste St., Makati City** Address of principal office **1600** Postal Code
8. **(632) 920-9306** Issuer's telephone number, including area code
9. Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA
- | Title of Each Class
(Par value: P0.10) | Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding |
|---|--|
| Common Shares | 740,000,000¹ |
11. Are any or all of these securities listed on a Stock Exchange.
Yes [/] No []
- If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange Common Shares : **640,000,000**

¹ Number of issued and outstanding shares based on the records of the Stock and Transfer Agent.

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/]

No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/]

No []

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

See attached “Annex A”

The Company’s financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

This Financial Statements meeting the requirements of SRC Rule 68, is furnished as specified therein.

In this interim period :

- a) There is no known trend, event or uncertainty that has or is reasonably likely to have a negative impact on the Company’s short-term or long-term liquidity. The Company is not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring the Company to make payments;
- b) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- c) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period;
- d) There are no material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures;
- e) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations;
- f) There are no significant elements of income or loss that did not arise from the Company’s continuing operations;
- h) No seasonal or cyclical factor that affected this quarter’s interim operations.

Item 2. Management’s Discussion and Analysis (MD&A) or Plan of Operations

See attached Annex “B”

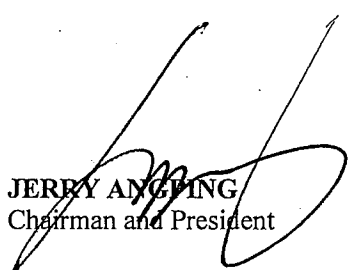
PART II – OTHER INFORMATION

There are no contingent liabilities or contingent assets or known trend and events that may materially affect the company's operation nor are there estimates of amounts reported in prior periods that may have a material effect on the attached financial statements.


SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in Quezon City on 16 May 2011.

By:



JERRY ANGLING
Chairman and President



CHI HO CO
Treasurer

LODESTAR INVESTMENT HOLDINGS CORPORATION
STATEMENTS OF FINANCIAL POSITION

" ANNEX A "

	Notes	Unaudited March 31, 2011	Audited Dec 31, 2010
ASSETS			
Current Assets			
Cash and cash equivalents		₱ 15,443,531	₱ 274,256
Available-for-sale Financial Assets	2	24,996,400	37,095,500
Accounts Receivable	3	105,710	-
Deposit for future stock investment	4	37,000,000	27,000,000
Other current assets		1,375,613	1,174,755
Total Current Assets		78,921,254	65,544,511
Non - current assets			
Property and Equipment		60,179	
		₱ 78,981,432	₱ 65,544,511
LIABILITIES & STOCKHOLDERS' EQUITY			
Liabilities			
Advances from third parties	5	₱ 12,655,725	₱ 12,753,915
Advances from stockholders	6	-	1,050,000
Accounts payable and accrued expenses	7	1,793,811	2,308,173
Total Liabilities		14,449,535	16,112,088
Stocholder's Equity			
Capital Stock - P1 par value	8	74,000,000	66,500,000
Additional Paid-In Capital	8	66,714,858	36,339,858
Revaluation Reserve		(5,061,828)	14,770,767
Deficit		(71,121,133)	(68,178,202)
Total Stockholders' Equity		64,531,897	49,432,423
		₱ 78,981,432	₱ 65,544,511

LODESTAR INVESTMENT HOLDINGS CORPORATION
 STATEMENTS OF INCOME
 (Unaudited)

	January 1 to March 31, 2011 (Three Months)	January 1 to March 31, 2010 (Three Months)
REVENUES	₱	₱
EXPENSES	2,947,300	3,285,571
<hr/>		
INCOME (LOSS) BEFORE OTHER LOSSES	(2,947,300)	(3,285,571)
INTEREST INCOME	(4,368)	(6,474)
<hr/>		
NET INCOME (LOSS)	₱ (2,942,931)	₱ (3,279,097)
<hr/>		
WEIGHTED AVE. NUMBER OF COMMON SHARES	74,000,000	74,000,000
Loss Per Share	(0.040)	(0.044)

Note: No dividends declared during the period

LODESTAR INVESTMENT HOLDINGS CORPORATION
STATEMENTS OF CHANGES IN EQUITY

	Unaudited March 31, 2011	Unaudited March 31, 2010
CAPITAL STOCK - P 1 par value		
Balance as at Jan 1	₱ 66,500,000	₱ 56,000,000
Subscribed - period Jan 1 to March 31	7,500,000	10,500,000
Balance at end of period	74,000,000	₱ 66,500,000
ADDITIONAL PAID-IN CAPITAL		
Balance as at Jan 1	36,339,858	34,239,858
Subscribed - period Jan 1 to March 31	30,375,000	2,100,000
Balance at end of period	66,714,858	₱ 36,339,858
DEPOSIT FOR FUTURE SUBSCRIPTION		
	(5,061,828)	18,502,267
REVALUATION RESERVE		
	(68,178,202)	(57,327,453)
	(2,942,931)	(3,279,097)
Balance at end of period	(71,121,133)	(60,606,550)
STOCKHOLDERS' EQUITY, END		
	₱ 64,531,897	₱ 60,735,575

LODESTAR INVESTMENT HOLDINGS CORPORATION
 STATEMENTS OF CASH FLOWS
 (Unaudited)

	January 1 to March 31, 2011 (Three Months)	January 1 to March 31, 2010 (Three Months)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	₱ (2,947,299)	₱ (3,285,571)
Adjustment for:		
Realized FV loss on AFS		
Interest Income	4,368	6,474
Net loss before working capital changes	(2,942,931)	(3,279,097)
Adjustment to reconcile net loss to net cash provided by operating activities		
Changes in operating assets and liabilities		
Decrease (increase) in :		
Other current assets	(306,568)	(303,415)
Increase (decrease) in :		
Accounts payable and accrued expenses	(514,362)	(32,561)
Net cash provided by operating activities	(3,763,861)	(3,615,073)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale and purchase of available-for-sale financial assets	(7,733,495)	
Additional deposit for acquisition of 100% shares of Abacoal	(10,000,000)	
Disposals (acquisitions) of property and equipment	(60,179)	
Net cash used in investing activities	(17,793,673)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from other parties	(98,190)	(147,888)
Advances from stockholders	(1,050,000)	(636,095)
Receipts of payment of subscription to capital stocks	37,875,000	12,600,000
Net cash provided by (used in) financing activities	36,726,810	11,816,017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,169,275	8,200,944
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	274,256	10,106,364
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱ 15,443,531	₱ 18,307,308

LODESTAR INVESTMENT HOLDINGS CORPORATION
NOTES TO FINANCIAL STATEMENT

1. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with the Philippine Financial Reporting Standards. The company has followed the same accounting policies and methods of computation used with the most recent annual financial statement. No new accounting policy has been adopted for this interim report.

2. AVAILABLE FOR SALE FINANCIAL ASSETS

The reconciliation of the carrying amount of available-for-sale financial assets as of March 31, 2011 is as follows:

Balance as of Dec. 31, 2010	₱ 37,095,500
Acquisitions	0
Disposals	0
Realized loss	0
Unrealized fair value loss	(12,099,100)

Balance as of March 31, 2011	<u>₱ 24,996,400</u>

Available-for-sale financial assets consist of shares of a publicly-listed company. The fair values of available-for-sale financial assets have been determined directly by reference to the market value of the shares in the stock exchange as of March 31, 2011 and December 31, 2010.

3. ACCOUNTS RECEIVABLE

In relation to the Abacoal Project, the Company has started evaluating its resources for a possible mini-pit operations to speed up the production process in preparation for the implementation of full-scale mining operations. A professional was hired on a consultancy basis to undergo evaluation and studies of the property. To fund the operations, the Company has extended cash advances. As of March 31, 2011, total outstanding cash advance amounts to ₱ 105,710.00.

Aging of receivable:	
Current	₱ 105,710.00

4. DEPOSIT FOR FUTURE STOCK INVESTMENT

This account pertains to amount of deposits made to Abacus Consolidated Resources Holdings, Inc. (Abacon) for the Company's acquisition of Abacoal, pursuant to the Agreement for Joint Investment executed by the Company and Music Semiconductors Corporation (MSC) on September 24, 2008 with certain amendments made on May 21, 2009 for the joint purchase by the Company and MSC of the 100% of the outstanding and issued shares of Abacoal held by Abacon.

5. ADVANCES FROM THIRD PARTIES

On May 31, 2009, the Company and Oriental Vision Mining Corporation (“ORVI”) entered into a MOA whereby ORVI will undertake exploration and development of a 7,000-hectare coal property in Surigao del Sur owned by Abacoal. Under the MOA, Oriental paid the Company ₱25 million representing reimbursement of the Company’s advances made and to be made to third parties related to the initial exploration and development of the coal property. To date, balance of the deposit amounts to ₱ 12,655,725.

6. ADVANCES FROM STOCKHOLDERS

The Company obtained short-term and non-interest bearing advances from a stockholder for working capital requirements. Full payment was made during the quarter.

7. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of accrued expenses which represent expenses continuously incurred for maintaining the operational and listing status with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) and payroll related expenses. This is composed of stock transfer agent fees and government statutory obligations like withholding taxes, SSS, Phil health and HDMF.

8. CAPITAL STOCK

On March 13, 2009, the Board of Directors of the Company approved the sale and issuance of 14,000,000 shares to Messrs. Jerry C. Angping, Jose M. Crisostomo, Ramon L. Abad, Jr., Richard William N. Palou, Nicanor M. Mayorlago and Ms. Nora de Lara-Garcia (the “Subscribers”) at the price of ₱1.20 per share, which shares shall be issued out of and to support the increase in authorized capital stock of the Company from ₱50,000,000 divided into 50,000,000 shares to ₱100,000,000 divided into 100,000,000 shares with a par value of ₱1.00 per share (the “Capital Increase”). Full payment was made to the Company during the first quarter of 2010. Said shares were approved by the Philippine Stock Exchange for listing on July 14, 2010. However, shares subscribed by Jerry C. Angping and Richard William Palou are subject to the lock-up requirement of the Exchange. In compliance with such lock-up requirement, Lock-up agreements among the concerned subscribers, the facilitating Trading Participants and the Philippine Depository and Trust Corporation were executed on October 14, 2010 to implement the electronic lock-up for a period of one hundred eighty (180) days from the date of the listing of the additional shares.

On November 6, 2009, the Company entered into another set of investment agreements with various investors wherein the investors agreed to subscribe by way of private placement to 10 million common shares of stock to be issued out of the unissued and unsubscribed portion of the authorized capital stock of the Company. The shares were subscribed at a price of ₱5.05 per share or for a total of ₱50.5 million, of which 25% or ₱12.6 million has already been paid. The transaction was approved by the BOD on September 14, 2009. The balance of 75% of the gross investment amount was paid in March 2011.

On Sept. 14, 2010, the Securities and Exchange Commission (SEC) approved the reduction in the par value of the shares of stock from One Peso (₱1.00) to Ten Centavos (₱0.10). The authorized capital stock of the Corporation shall be One Hundred Million Pesos (₱100,000,000.00) divided into One Billion (1,000,000,000) common shares with par value of Ten Centavos (₱0.10) per share. Also on the same date, the SEC approved the Amended By-laws providing for the creation, powers and functions of the Nomination, Remuneration, Audit, Executive and Finance Committees of the Company.

Per the records of the Corporation, on 24 September 2010, as a result of the approval of the reduction in the par value of the shares of the Company from One Peso (P 1.00) per share to Ten Centavos (P .10) per share, the Philippine Stock Exchange implemented the reduction in the par value and stock split of Lodestar shares. Copies of the PSE Circular dated 17 September 2010 and Lodestar's relevant disclosure to the PSE dated 23 September 2010 are hereto attached. After the reduction in the par value of the shares from One Peso (P 1.00) to Ten Centavos (P .10) the number and price of shares have been adjusted by multiplying the number of shares by ten (number of shares x 10) and inversely, dividing the price by ten (price/10). Resulting adjustments in the amount of shares and values of consideration were accordingly reflected in the books of the Corporation, insofar as all issued and outstanding shares are concerned, including the private placement shares.

9. RISK MANAGEMENT

The Company is exposed to a variety of financial risks which resulted from its investing and operating activities. The Company's risk management is coordinated in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below:

Credit Risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk for its financial assets (i.e. cash and receivables)

Generally, the maximum credit risk exposure of financial asset is the carrying amount of cash and receivables as shown on the face of the balance sheets.

	<u>March 31, 2011</u>	<u>Dec. 31, 2010</u>
Cash	₱ 15,438,531	₱ 269,256
Receivables	<u>105,710</u>	<u>-</u>
	<u>₱ 15,544,241</u>	<u>₱ 269,256</u>

The Company's cash is actively monitored to avoid significant and unwarranted exposure to credit risk. Cash in bank is secured by an insurance from the PDIC up to ₱500,000 per banking institution. Moreover, the credit risk for the Company's cash in bank is considered negligible since the counterparty is a reputable bank with high liquid credit ratings.

Liquidity Risk

The Company manages its liquidity needs by obtaining additional advances from a stockholder and private placement transactions.

As at March 31, 2011 and December 31, 2010, the Company's financial assets and liabilities are presented below:

	<u>March 31, 2011</u>	<u>Dec. 31, 2010</u>
<i>Financial Asset</i>		
Receivables	<u>₱ 105,710</u>	<u>₱ -</u>
<i>Financial Liabilities</i>		
Advances from stockholder	-	1,050,000
Advances from third parties	12,655,724	12,753,915
Accounts Payable and accrued expenses	<u>1,793,811</u>	<u>2,308,173</u>
	<u>₱ 14,449,535</u>	<u>₱ 16,112,088</u>

Other Price Risk Sensitivity

The Company's market price risk arises from its investments classified- as available-for-sale financial assets. It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

10. OTHERS

- a. These financial reports are prepared in compliance with the quarterly reportorial requirements of the SEC.
- b. There were no material transactions affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents.
- c. There was no subsequent material events not reflected in this interim financial statement.
- d. There were no material contingencies and any other events or transactions that are material to the understanding of the interim report.

Management's Discussion and Analysis (MD&A) or Plan of Operations.

Plan of Operation

Part III, Paragraph (A) of Annex "C" of the Securities Regulation Code under Rule 12 states that the information under subparagraph (2) thereof is required for companies that are operational and had revenues from its operations. In this light, the foregoing information only tackles Part III, Paragraph (A) (1) of Annex "C", insofar applicable.

Currently, the Company is awaiting the issuance and release of the Coal Operating Contract for Development and Production (COC-DP) of its Abacoal Project. Delays in government processing of this COC-DP necessitated a minor revision of the Company's targeted commencement of the operations of the Project.

The Board of Directors and Management of the Company is confident that once the COC-DP is issued and released full operation of the Project can immediately be realized, considering that all the requirements for this are in place with the appointment/designation of Oriental Vision as the operator for this Project.

Upon commencement of the operations of the Project and/or identification of other profitable Projects for the Company, the capital restructuring and fund raising activities approved by the Board of Directors and shareholders of the Company may be implemented.

By way of background, on September 24, 2008, the Company entered into a Heads of Agreement with Music Semiconductors Corporation ("MSC") and Abacus Consolidated Resources Holdings, Inc. ("ACRHI") for the joint acquisition by the Company and MSC of all issued and outstanding shares of stock of ABACOAL, a subsidiary of ACRHI. The Company and MSC have likewise entered into an Agreement for Joint Investment whereby the investment parameters for such investment in ABACOAL were set forth. Under the same agreement, MSC will own 55% of the issued and outstanding capital stock of ABACOAL while the Company will own 45% of ABACOAL.

ABACOAL is a company engaged in the commercial exploration and development of coal and is the Assignee (whereby ACRHI is the Assignor) of a Coal Operating Contract over a 7,000-hectare property located in Tago and Marihatag, Surigao del Sur ("Coal Project"). Due diligence over the coal property is being undertaken for purposes of verifying the reserves and studying the financial viability of the Coal Project, which per the appraisal conducted by Cuervo Appraisers, Inc., is valued at approximately ₱2.7 billion.

On May 21, 2008, the Board approved resolutions authorizing the Company to amend the Agreement for Joint Investment dated September 24, 2008 between the Company and MUSX Corporation (the new name of MSC). The subject amendment will result in the assignment to the Company of MUSX's 55% interest and participation in the Abacoal Investment subject to the payment of the following: (1) ₱12 million by way of reimbursement of expenses made by MUSX in the Abacoal Investment upon the signing of the amendment; (2) a second tranche of ₱10 million by way of reimbursement of the remainder of expenses and payments made by MUSX in the Abacoal Investment, payable on or before December 31, 2009 or on such later date as may be agreed upon by the parties, with the option to convert this

payment to equivalent number of new shares to be issued by the Company to MUSX based on the closing price of the Company's shares on the date of the exercise by MUSX of the option; and (3) 0.25% of the gross coal price per ton based on FOB loaded to vessel, payable within five (5) days from receipt of payments by the Company therefore, as MUSX royalties in the Abacoal Investment during the first five years of operations. Advanced royalties may be agreed upon on a discounted basis depending on the initial operations of the Abacoal Investment.

On May 31, 2009, the Company executed a Memorandum of Agreement with Oriental Vision Mining Philippines Corp. to undertake exploration and development activities of the coal properties of Abacus Coal Exploration Development Corporation over which the Company has controlling stake. Oriental Vision shall pay the Company a royalty fee of Eight Percent (8%) of gross coal price per ton based on FOB loaded to vessel payable within 45 days from receipt of payment by Oriental Vision.

On September 14, 2009, the Board of Directors of the Company approved the issuance of shares by way of private placements in favor of Renato L. Reyes and Ramon I. Abad, Jr. The issuer will issue one hundred million (100,000,000)¹ LIHC shares out of the unissued and unsubscribed portion of its authorized capital stock at the price of Fifty and .05 Centavos (₱.505) per share per share or a total consideration of Fifty Million Five Hundred Thousand (₱50,500,000.00) for the following business purposes:

- a) To enable the Company to pay its financial obligations to Abacus Consolidated Resources Holdings, Inc. (ABACON) constituting partial consideration for the purchase of 100% of the shares of Abacus Coal Exploration Development Corporation (ABACOAL) as provided under the Heads of Agreement that the Corporation executed with ABACON.
- b) To allow the Company to expand its investments
- c) To permit the Company to enter and finance new businesses
- d) For working capital and costs of the private placements

And on November 6, 2009, the Company and Messrs. Renato L. Reyes and Ramon L. Abad, Jr. executed the Investment and Subscription Agreements to effect the private placement transaction.

Further, at the same meeting, the BOD discussed the implementation of the Stock Rights Offering in the next capital increase. The decision was reached considering the need of the Company to raise at least Fifty Million Pesos (₱50, 000,000.00) in cash in the soonest possible time. The contemplated SRO in the new capital increase will enable qualified shareholders to purchase shares at better prices or even at the par value of P.10 while giving the company an opportunity to offer and distribute more shares from said capital increase.

On Nov 6, 2009, the BOD during its special meeting approved the following:

1. Proposed reduction in the par value of the shares of stock of the Company from P1.00 to ₱0.10 per share, resulting in a stock split of ten shares for every one shares issued. A share buy-back program was also adopted, which will depend on the Company's

¹ This figure reflects the adjustments brought about by the reduction in the par value and stock split of Lodestar shares.

retained earnings and the market price of the Company's shares under such terms and conditions to be determined and set by the BOD.

2. Proposed increase in the authorized capital stock of the Company from ₱100.00 million divided into 100 million shares at ₱1.00 par value per share to ₱300.00 million divided into 3 billion shares at ₱0.10 par value per share.
3. Delegation to the Board of Directors of the power and authority to identify and secure equity investments from subscribers, implement share swaps, and undertake share issuances at such subscription price(s) and under terms and conditions to be determined by the Board with a waiver of the requirement to conduct a rights or public offering of the shares
4. Issuance of shares of stock from the proposed capital increase through preemptive stock rights offering. The preemptive stock rights offering shall be implemented on a 1:1 proportion, i.e. one share held by qualified stockholders entitled the said stockholders to subscribe to one share under the offering. The stock rights offer price shall be at par of ₱0.10, representing the reduced par value of the shares at the expected time of the stock rights offering, or at ₱1.00 if the stock rights offering happen at the time prior to the reduction in the par value of the shares.

The above resolutions were subsequently ratified in the latest shareholders meeting of the Corporation held on December 2010.

On November 3, 2010, the Company executed a Revised Heads of Agreement with ABACON for the Merger of ABACOAL into the Company with the Company as the surviving corporation and ABACOAL as the absorbed corporation. The Company shall acquire the Coal Project and all the other assets and liabilities of ABACOAL by and through a merger of the Company and ABACOAL. By virtue of said merger, the Company shall issue two hundred fifty million (250,000,000) new common shares at a par value of Ten Centavos (₱ 0.10) and an agreed issue value of Ninety Centavos (₱ 0.90) to ABACON.

Management's Discussion and Analysis for the Interim Period Ended March 31, 2011

Revenues

The Company did not earn any revenue during the first three - month period ended March 31, 2011 and 2010 since it has not undertaken commercial operations

Operating Expenses

Operating expenses decreased by ₱ 0.34 million or 10.3% from ₱ 3.28 million in March 2010 to ₱2.52 million in March 2011. The decrease is attributable mainly to lower management fee.

Net Loss

As a result, after deducting minimal interest income from regular savings account, the Company posted a net loss of ₱2.94 million for the period ended March 31, 2011 versus net loss of ₱3.28 million for the same period in 2010.

Material Changes to the Company's Income Statement as of March 31, 2011 compared to the Company's Income Statement as of March 31, 2010:

45.1% or ₱0.99 million decrease in Management fees from ₱ 2.19 million in March 2010 to ₱1.20 million in March 2011 and 59.2% or ₱ 0.35 million decrease in Legal and Professional fees from ₱ 0.59 million in March 2010 to ₱0.24 million in March 2011 .

The Company has decided to trim down hiring of professionals in various fields beginning calendar year 2011.

100% or ₱ 0.90 million increase in Exploration Costs

The Company has started its evaluation program for its projected mini pit operations.

27.4% or ₱ 0.06 million decrease in salaries and related expenses from ₱ 0.20 million in March 2010 to ₱0.15million in March 2011.

To date, the Company has only one (1) employee who handles the operations. The office and financial affairs of the Company is being handled by a Consultant.

6,264% or ₱ 0.07 million increase in Transportation and Travel from ₱ 0.001 million in March 2010 to ₱ 0.070 million in March 2011.

The evaluation process of a possible mini pit operation necessitates site visits resulting to this higher travel costs.

5,377.4% or ₱ 0.054 million increase in meeting and related expenses from ₱0.001 million in March 2010 to ₱0.055 million in March 2011.

Financial Condition

The Company's Total Assets comprised of 99.9% of Current Assets and .01% Non Current Assets. The Total Assets as of March 31, 2011 amounting to ₱78.98 million was 9.37% or ₱ 8.17 million lower than that of March 2010, which amounted to ₱87.15 million. Total Assets in 2011 is comprised of ₱15.44 million Cash, Available-for-Sale Financial Assets amounting to ₱25.0 million, ₱ 0.10 million receivable, ₱37.0 million deposit made to Abacus Consolidated Resources Holdings, Inc. (Abacon) for the acquisition of 100% stake in Abacus Coal Exploration Development Corporation (Abacoal) and other current assets of ₱ 1.38 million. During the first three months of 2011, the Company received cash from certain investors amounting to ₱37.88 million representing full payment of private placement of ten million shares of the Company at the offer price of ₱5.05 per share and a total of ₱10 million was disbursed to partially settle its outstanding obligation with MSC with regard to its investment with ABACOAL. The company likewise fully pay its loan from stockholders.

The Company's Total Liabilities were comprised of accounts payable and advances from other parties. The Total Liabilities decreased by ₱ 11.96 million or 45.29% from ₱26.41 million in March 2010 to ₱14.45 million in March 2011. This is due to full payment of advances from stockholders and payment made by Oriental Vision to the Company representing reimbursement of the Company's advances made and to be made to third parties related to the initial exploration and development of the coal property.

The Company issued a total of ten million (10,000,000) shares in 2009 to certain investors. The shares were fully paid in March 2011 which led to the increase in its paid-up capital stock from ₱ 66.5 million in March 2010 to ₱ 74 million Pesos in March 2011.

To date, total premium on capital stock amounts to ₱66.71 million.

As a result of the foregoing, the Company posted Total Stockholders' Equity amounting to ₱64.53 million in March 2011, a 6.25% increase from ₱60.74 million reported in March 2010.

Material Changes to the Company's pro-forma Balance Sheet as of March 31, 2011 compared to pro-forma Balance Sheet as of March 31, 2010

38.77% or ₱ 15.83 million decrease in Available-for-Sale Financial Assets from ₱ 40.83 million in March 2010 to ₱ 25 million in March 31, 2011

The Company invested the proceeds from the private placement in November 2008 in passive investments such as shares of stocks.

52.44% or ₱ 116 thousand decrease in receivables from ₱ 222 thousand in March 2010 to ₱ 106 thousand in March 2011.

Various advances were granted to consultants relative to the Company's thrust to evaluate the tenement for a possible mini pit operations.

37.04% or ₱ 10 million increase in Deposit for future stock investment from ₱ 27 million in March 2010 to ₱ 37 million in March 2011.

The Company has settled its payable to MSC amounting to ₱10 million for the acquisition of 100% stake of Abacus Coal Exploration Development Corporation (Abacoal)

74% or ₱ 583 thousand increase in other current assets from ₱ 792 thousand in March 2010 to ₱ 1.38 million in March 2011.

These are input taxes generated from professional fees incurred during the period.

100% or ₱ 10.05 million decrease in advances from stockholders.

Full payment was made during the first quarter 2011.

24.78% or ₱ 0.59 million decrease in Accounts payable and accrued expenses from ₱ 2.38 million in March 2010 to ₱ 1.79 million in March 2011.

This account consists of accrued expenses which represent expenses continuously incurred for maintaining the operational and listing status with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE) and payroll related expenses.

Key Performance Indicators

Since the Company was not in commercial operations, the key performance indicators of the Company are as follows:

	March 31, 2011	March 31, 2010
Current Ratio ¹	5.46x	3.30x
Quick Ratio ²	1.07x	0.69x
Debt-equity ratio ³	0.22x	0.44x
Book value per share ⁴	0.087x	0.082x
Net Profit Margin ⁵	NA	NA

(1) *Current Assets / Current Liabilities*

March 2011 (₱ 78,921,254/ ₱ 14,449,535)

March 2010 (₱ 87,148,853/ ₱ 26,413,278)

(2) *Cash / Current Liabilities*

March 2011 (₱ 15,443,531/ ₱ 14,449,535)

March 2010 (₱ 18,307,308/ ₱ 26,413,278)

(3) *Debt / Equity*

March 2011 (₱14,449,535/ ₱64,531,897)

March 2010 (₱26,413,278/ ₱60,735,575)

(4) *Equity / Outstanding shares*

March 2011 (₱64,531,897/740,000,000)

March 2010 (₱60,735,575/740,000,000)

The Current Ratio is the general measure of a company's liquidity. It represents the ratio of all current assets to all current liabilities. It is sometimes called the "Working Capital Ratio" because working capital is the excess of current assets over current liabilities.

The Quick Ratio is another measure of a company's liquidity. It is used to measure a company's ability to pay its liabilities using assets that are cash or very liquid. Since the Company does not have any marketable securities and accounts receivables, the computation of this ratio was based on cash alone.

The Debt to Equity Ratio is a measure of leverage, or the relative amount of funds provided by lenders and owners. This measures the amount of debt being used by the Company.

Book value Per Share is a measure of stockholders' equity. It represents the difference between total assets and total liabilities.